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SUBJECT: JORDAN'S INFLATION RATE FOR JULY 2008 PEAKS AT 19 PERCENT
HIGHER THAN 2007 LEVEL

REF: Amman 815

¶1. (U) Inflation in Jordan continues to rise. Jordan's Department of Statistics (DOS) reported a 2.3% increase in the monthly Consumer Price Index (CPI) between June 2008 and July 2008, the largest increase since February 2008 when the cessation of fuel subsidies resulted in a 6.5% increase (reftel). The year-on-year CPI has increased 19.4% since July 2007.

¶2. (U) The CPI has four main categories (food, clothing, housing, and other goods and services) and each category has multiple sub-categories. All four categories have increased significantly in the past twelve months: food (22% increase), clothing (7%), housing (19%), and other goods and services (17%). The highest growth among subcategories was in fuel (78%), cereals and grain products (43%), cooking oil (40%), and dairy (40%). Only telecommunications costs have dropped over the past 12 months (-1%). Other indicators published by DOS for wholesale prices and industrial producer prices are also showing inflationary pressures.

¶3. (U) Minister of Industry and Trade Amer Hadidi reported in English and Arabic-language dailies that the Ministry is seeking to encourage market stability in bread prices which are set by the government. He said that the government will seek to lower the price of sandwich bread, currently sold at \$.78/kilogram, in advance of the start of the school year and the holy month of Ramadan. Government spokesman Nasser Judeh told the media that prices for the main staple bread, which is a large pita-style bread, will remain fixed at \$.22/kilogram.

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